MANAGERIAL AND ORGANIZATIONAL FACTORS INFLUENCING STRATEGIC CHANGE A STUDY OF OIL COMPANIES IN KENYA.

BY

HASSAN ABDURAZAK MOHAMED

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DECLARATION

This project is my own original work and has never been submitted for a degree in any other University.

Signed:______________________________. Date: 20/12/2004

ABDURAZAK M. HASSAN

This project has been submitted for examination with my approval as a University supervisor.

Signed:______________________________. Date: 20/12/04

DR. MARTIN OGUTU

Department of Business Administration,

Faculty of Commerce, University of Nairobi.

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ABSTRACT

Changes are increasingly occurring in the environment in which oil firms operate; to continuously align their strategies with the environment, firms should change their strategies by adopting new strategies, such as merger, acquisition, diversification, integration, downsizing divestment and new product development.

The motivation of the study was the fact that the long-term success of an organization depends on how the organization changes its strategy following the changes in the environment. Some organizational and managerial characteristics may influence on these changes and need to be examined.

This study sought to investigate the influence of managerial and organizational characteristics on strategic changes of oil companies in Kenya. The objectives of the study were firstly to investigate the strategic changes adopted by the oil companies, which includes companies that were operating in Kenya before the liberalization and those entered the market after the liberalization, and secondly to investigate the organizational characteristics influencing the strategic changes, and then the managerial characteristics influencing these changes.

By focusing on oil companies currently operating in Kenya the study targeted all the 32 oil companies registered by the Ministry of energy, 32 questionnaires were administered through the drop and pick later method, based on a primary data collected from respondents using questionnaires, the data was then analyzed, using descriptive statistics, primarily percentages, absolute values, mean and stand deviations.

The findings of the study were that oil companies adopted strategies such as product development, mergers acquisitions, integration, diversification, divestment, downsizing and new market development. On the characteristics of the company ownership was found to be high initiator of change. The study also found the market share of the company and the company market experience to have a greater influence on strategic change, company ownership especially local ownership was found to have high degree of influence on strategic change of the oil companies.

On the managerial characteristics of the study found that chief executive and top management education have greater influence on strategic changes. Few of the companies that had chief executives succession within the last ten years were found to have high degree of chief executive influence, but over all top managers were rated higher on influencing the strategic changes than the chief executive.

Conclusions and summary were drawn from the study which indicate that oil companies experience strategic changes, and that company market share and company age in the market influence strategic change, managerial education influenced strategic change to great extent.

The study recommends that oil companies need to closely monitor their strategic environment alignment, and to be flexible in changing their strategies they need to introduce managerial and organizational factors that trigger strategic changes.

Despite the limitations the study can still be valid and may shed more light on the Kenyan oil industry and the local business environment as whole. Further research is suggested on strategic changes in other industries, as the environment in which the oil companies operate continues to change further research on how these changes affect the changes of their strategies could be more useful.

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CHAPTER ONE: INTRODUCTION

1.1 Background

In October 1994, Kenya deregulated its oil industry. Before the deregulation of the oil industry, the industry was highly regulated with substantial government involvement. The importation, supply, storage and transportation of oil products were under government control. Only the marketing and distribution of the petroleum products were left for the private sector (Institute Of Economic Affairs, 2000).

The petroleum industry is a major source of energy in Kenya. The oil consumption in Kenya for 1998 has been estimated at 54,000 barrels per day, with refined petroleum products exported to the neighboring land-locked countries. Kenya also spends over 40% of its foreign currency earnings on importing crude oil and other petroleum products (Murage, 2000).

In terms of the economy the industry contributes over 20% of the GNP (Isaboke, 2001). In terms of consumption the largest consumers of the petroleum products include the transport sector consuming 60% of the total volume, manufacturing sector consuming 16% other businesses 17% and the household consumption amounts up to 9% (Isaboke, 2001).

The major players in the Kenyan oil industry include, shell/BP, Caltex, Mobil, Total and all of which are subsidiaries of multinational corporations. The industry had also witnessed the entrance of other players these include, Engen, National oil corporation of Kenya (NOCK), Kobil/Kenya oil company (KENOL), Petro, Galana, Fuelex, Triton. The leading marketing company in Kenya is the shell/BP alliance with over 30% of the market share. Almost all of the new entrants in the Kenyan petroleum industry are locally owned companies, but still the leading companies are multinationals.

Prior to liberalization, the multinational oil companies accounted for almost 90% of all petroleum products imported into Kenya and enjoyed almost 100% of the retail market. It is estimated that the same companies today control over 75% of the domestic petroleum distribution and retail market products In 1994 after the oil industry was liberalized in Kenya, the industry witnessed the entrance of new smaller but locally owned firms. The companies operating in the Kenyan oil industry can be classified into three board categories.

Traditional multinationals – These were the oil companies that operated in Kenya before the deregulation.

New entrant multinationals – These are companies that entered into the Kenyan markets after the deregulation but are wholly owned abroad.

Independent petroleum dealers – These are small, locally owned companies, mostly by indigenous Kenyan business people, which operate mainly at the retail level. They are supplied with their products by the multinationals. Due to the capital outlay required for importation of petroleum products into Kenya, only six to seven of the new entrants have been able to penetrate this segment of the industry. But the new entrants into the oil industry are required to process crude oil at the Mombasa refineries only one year after registration. This condition has been found almost impossible to fulfill by the new entrants. This is as a result of the prohibitive capital outlay required for importation of a cargo of 80,000 metric tones of crude oil.

Independent petroleum dealers (IPD) get their products from resellers who in turn get from multinationals at discounts. The increase in market share of the independent dealers at the retail level, means a loss for the multinationals (Isaboke, 2001). Multinationals relied heavily on the retail level to maximize their profits, but the independent dealers have slowly overrun their market shares at this level.

The competition in the Kenyan oil industry can be also hampered by the oligopolistic structure of the industry, the major players in the industry operate as an unofficial cartel (Institute of Economic Affairs, 2000), with firms consulting each other whenever they need to increase or bring the prices down. A major factor has been the use of common facilities, from the refinery to the pipeline to the level of the depots, a situation which has forced small players into signing "hospitality" agreements with the major players. Oil companies are required to forward to the Ministry Of Energy Of Kenya their sales figures for all their products, which enable the government determine the consumption of petroleum in Kenya. The oil companies are also required to submit information about their diversification such as the quantity of petroleum products and the type of products.

The recent delay in the delivery of crude oil is attributed to the recent increase in crude oil prices in the international market (East Africa Standard; August 31, 2004). The recent delay in delivery of crude oil at the Mombasa oil refinery and the surge of oil prices, comes at a time when the industry is gripped with fear of job losses, following the revelations that the ministry is planning to cancel importation licenses for more than 10 new independent market entrants. The shortage also affects Tanzania, Uganda and Rwanda, which rely on Kenya for their supply.

Strategic change is a central concern in modern business theory and practice, (Pettigrew, 1988), and organizations exists in a state of equilibrium, which is not itself conducive to change (Ginsberg and Abrahamson,1991), this equilibrium is the result of opposing forces, these are forces that drive the change and forces that oppose or restrain the change. Although the identification of factors blocking the strategic change is important, the identification of factors that provide pressure for change and their aspects can also be important, because this might help identify what needs to be introduced to facilitate the change process if a change should occur.

Change is almost everywhere in the world and the Kenyan environment is therefore no exception. The oil industry have undergone many changes through the last decade as well as the beginning of this century, apart from the soaring of world oil prices, the cost of the transport sector which is the largest consumer of oil have also increased.

Although the Kenyan oil industry is affected by an array of environmental forces such as regulation/deregulation, global oil prices and state of the economy, firm and managerial factors can also play a big role in influencing the way organizations may align with the changes in the external environment.

A review of strategic change management highlights that two criteria must be met for a firm to alter its strategy, first within the firm there must be a sense of need for change, and key decision makers in the organization must be aware of this need. Second a firm must have the ability to change its strategy (Grimm et al, 1993), from the above statement it can be understood that managerial characteristics may influence the perceived need for change while the firm characteristics may influence the ability of the firm to change its strategy.

Although studies on these factors have been done elsewhere in the world little have been written about in this part of the world. The strategic changes oil companies adopt are not only influenced by the forces in the external environment but also by internal factors such as firm and managerial characteristics, which can play a big role in influencing, or putting pressure for strategic change. Oil companies in Kenya are expected to operate in a similar environment hence any differences among the companies can be attributed to organizational and managerial factors. Because of the important influence of industry characteristics all the discussions presented here should be considered to carry the implicit phrase within an industry.

Aspects of strategic change considered in this study include diversification, acquisition, merger, divestment, downsizing, restructuring, new product- development and integration. Some companies may adopt related or unrelated diversification strategy; others may develop new products for example Caltex's development of new lubricant product this year, and earlier Agip was acquired by Shell/Bp.

So stiff has been the competition that some of the major players in the industry have been forced to close operations in some regions of the country. (Daily Nation, December 30, 2003) for instance market leader, Shell/ BP sent ripples in the industry in the year 2002 when it put on sale several of its marketing outlets located west of Nakuru. Then Caltex decided in June last year to close two of its petrol stations. This is seen as a response to the stiff competition in the industry after the entrance of the independent dealers., which may have resulted oil companies constantly changing their strategies.

The different players in the Kenyan oil industry may adopt different strategies depending on the category to which the organization belongs, such as multinational, new entrant multinational or independent petroleum dealer. Some of these organizations may belong to the same category but may not have managers with the same managerial characteristics. The degree to which managers are in touch with market forces might differ. Firms with managers focusing on marketing and customer service are likely to change strategies, as opposed to firms with managers focusing on accounting and finance.

1.2 Statement of the Problem

There are different players in the Kenyan oil industry, such as Traditional, multinationals, new entrant multinationals and the locally owned independent dealers. Based on the different characteristics of the industry players there seems to be a need to understand whether these characteristics influence the strategic changes of the oil companies. Managerial and organizational factors may influence strategic decisions and consequently need to be examined in industries such as the oil industry. This can be a problem because our knowledge about the strategic changes of the different players in the Kenyan oil industry is very limited, in addition little is known about the firm and managerial characteristics influencing these changes.

Studies on strategic change focused mainly on change management practices and the wider process of strategic change, Gekonge (1999) studied management of strategic change by the companies listed in the Nairobi Stock Exchange, the study included some oil companies. Although pointing out some factors influencing the process of managing strategic change, in this study and the studies of Rukunga (2003) and Okuto(2002). the researchers did not address the firm specific factors and characteristics that influence strategic change of the companies operating in Kenya. Equally neglected in these studies are managerial characteristics that influence strategic change. No study have so far focused on the antecedents of strategic change, Rukunga (2003) studied strategic change management practices in Kenya, in a study on Nairobi Bottlers Limited the focus was on change management practices. Okuto (2002) focused on the implementation of strategic change and the human factor in the implementation process, the study was made on the large manufacturing firms in Kenya and emphasized on the impact of the implementation on the employees during and after implementation process.

The researchers in the oil industry focused mainly on the strategies adopted by oil firms and strategic responses by the oil firms to the changes in their environment, Murage (2001) examined competitive strategies adopted by petroleum independent dealers and Isaboke (2001) studied the strategic responses by the major oil companies to the threat of new entrants. Chepkwony (2001) studied strategic responses of petroleum firms following the increased competition due to the entrance of new independent players, and Murage (2001) found that the strategies adopted by the independent petroleum dealers were mainly cost-leadership; Mwindi(2003) also studied unrelated diversification by the major oil companies in Kenya. Amolo (2002) examined the use of benchmarking as a tool for continuous improvement by the oil firms in Kenya. The study found that the oil firms do not use systematically benchmarking as a tool for continuous improvement.

Previous research in the Kenyan oil industry investigated the threat of new entrants following deregulation, mainly the focus had been on the environmental changes and firm responses to the changes in the external environment, strategic changes of the oil companies and the factors influencing these changes have not been studied. Although the industry environment had received some attention, little attention have been given what influences petroleum companies to change their strategies in adapting to the changes in their turbulent environment.

This study addressed the influence of top management team characteristics as well as individual executives leaders' characteristics, managerial factors addressed in this study include managerial succession, educational background and past work experience, the organizational factors addressed include the size of the company, the ownership (local or foreign), and the age of the company. In large organizations managerial responsibilities are rarely the exclusive domain of just one individual (Hambrick & Mason, 1984), however, in small, entrepreneurial, new entrant in the Kenyan oil market, strategy making and managerial responsibilities can be the exclusive domain of one or few individuals, as a result both (top management and the individual) will be examined.

1.3 The Research Objectives

The purpose of the study is to identify:

(1) Strategic changes in the oil companies in Kenya

(2) The influence of organizational characteristics on strategic changes by the oil companies in Kenya.

(2) The influence of managerial characteristics on strategic changes by the oil companies in Kenya.

1.4 Importance of the Study.

a) The results of this study are expected to be of value to the strategic decision makers of the oil companies as well as of other companies. By showing what influences strategic changes, decision makers may understand what needs to be introduced to facilitate the change. The results can also be of value to the policy makers to create suitable environment for the oil industry.

b) This study can also contribute to the existing knowledge of strategic change and may even form a basis for further study in the field of strategic changes.

c) This study is also expected to fill the information gap on organizational and managerial factors influencing strategic change.

1.5 Structure of the Research Project

This study has five chapters. Chapter One gives an introduction to the study and contains the background of the oil industry including the strategic changes, the statement of the problem, the objectives of the study and the importance of the study. Chapter Two provides a review of literature on the key study areas, which are strategic changes in the oil industry with the main focus being on managerial and organizational characteristics influencing the changes. Chapter Three describes the Research Methodology; it includes the research design used, population of study, data collection, and analysis. Chapter Four covers the data analysis research findings, summary of the results. Chapter five provides the summary of the research findings, and discusses the research findings, conclusions, the limitations of the study and suggestions for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic change has been recognized as an important mechanism through which organizations achieve realignment with the changes in their environment, such changes in the environment may include competitive changes, technological changes and social changes which occasionally pose threats to their continued survival and effectiveness. Over the past few decades there has been a great deal of research on strategic change (Rajagopalan and Spreitzer, 1997; and Ginsberg and Grant 1985).

In recent years, interest in strategic change have increased further, with many researchers examining on the triggers, occurrence and the consequences of strategic change (Rajagopalan and Spreitzer, 1997), most of the literature however has acknowledged that a variety of organizational and managerial factors may influence the relationship between environmental changes and strategic changes, organizational factors have been viewed as factors that impede or promote an organization's necessary adaptation to the environmental shifts (Kraatz and Zajac, 2001). Top management characteristics may also lead to strategic changes together with organizational characteristics. In discussing each of the organizational and managerial characteristics presented in figure 1, each factor of these characteristics can influence strategic change by becoming a trigger, or enabling force for the strategic change. On the other hand, each one of these organizational and managerial characteristic can be an inertial force blocking the strategic change, so no speculation is made about cause an effect relationship here.

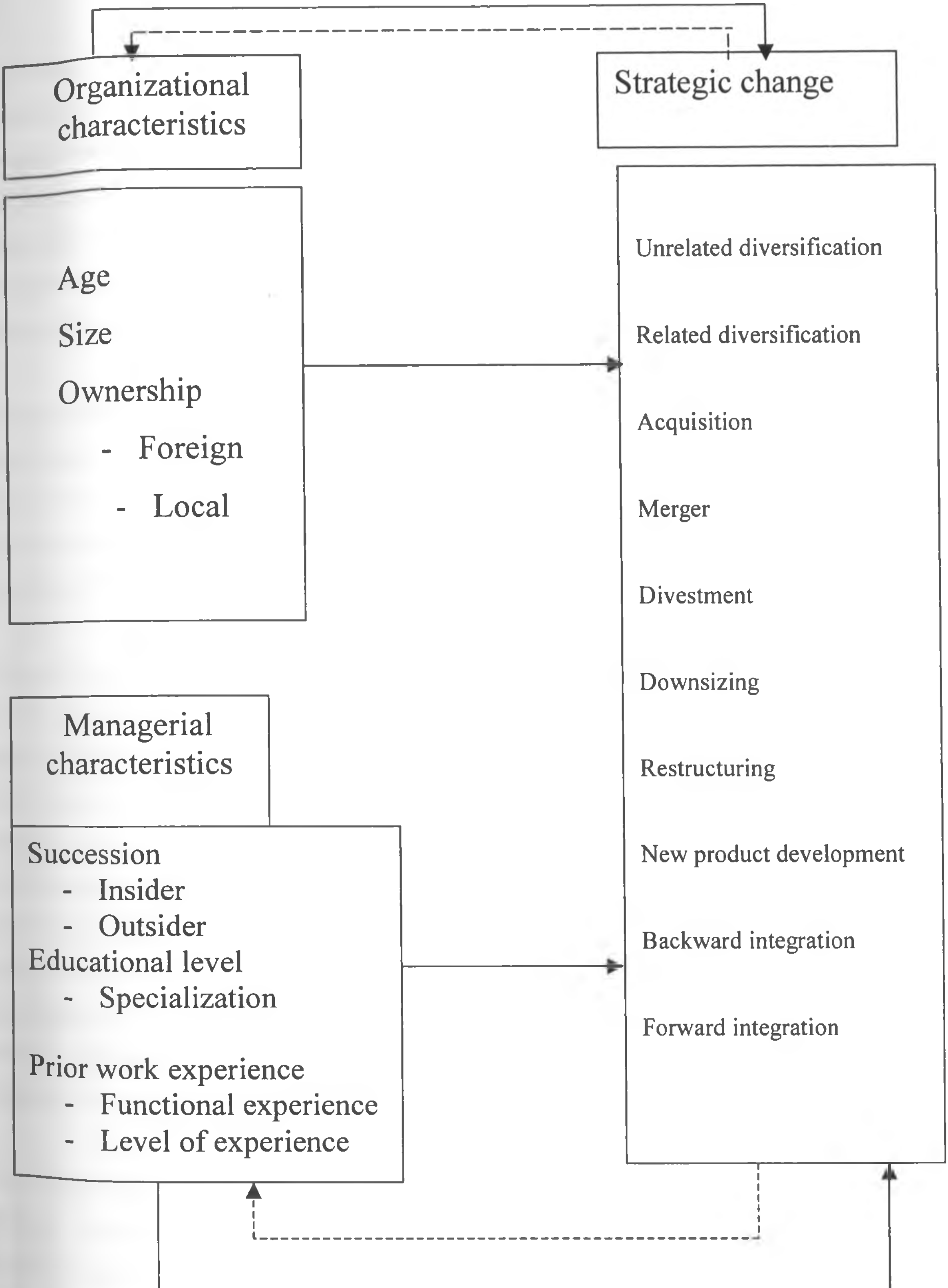

Figure 1: **A conceptual map** of the influence of organizational and managerial factors on strategic change.

According to Ginsberg and Grant (1985) an organization that has not changed its underlying environmental orientation should not be considered as having undergone strategic change but rather as having made a strategic adjustment i.e. routine change. The distinction between strategic change and adjustment may be subtle but this distinction is important in theory building. Ginsberg and Grant (1985) define strategic change as change in either business, corporate, or collective strategy or change in strategy making norms and values. Studies focusing on only operational level responses, are not considered strategic.

Rajagopolana et al (1997) classified strategic change into two schools of thought based on underlying research question and specific methodologies. The first school is the content school of thought and focuses on the antecedents and consequences of strategic change. The researchers in the second school the process school has focused on the role of managers in the strategic change process.

This study utilized an integrated model of strategic change, which will take into account the influence of organizational and managerial characteristics. Strategic change is meant here the extent to which organizations change their mix of businesses. Strategic changes are distinguished from operational changes such as depot decisions and credit policies. If strategic changes have organizational and behavioural component, then they reflect the idiosyncrasies of the decision makers (Hambrick & Mason, 1984). Hence strategic change will be measured by the changes in diversification strategy of the firm. The concept of diversification shows the variety, and distribution of a firm's lines of businesses (Michel and Hambrick,1992). Management may decide to change a firm's strategy by adding new business activities, (for example Caltex's recent move to add new lubricant products to its business) or expanding the line of businesses.

This study examined strategic change in the Kenya oil industry. A distinction is made between business and corporate strategy. Strategy at the business level constitutes decisions regarding how to compete within a specific business. Strategy at the corporate level constitutes decisions regarding the mix of businesses in which the firm competes. The focus of this study is changes in corporate strategy rather than business level strategy a portfolio. Corporate strategy includes decisions regarding potential divestments, downsizing, restructuring, acquisitions, integration, mergers and the development of new businesses. This study looked at the influence of organizational and managerial differences on these strategic changes these oil companies make.

2.2 Models of strategic change

Ginsberg and Grant (1985) also define strategic change in terms of theoretical models that reflect the different views of driving forces (antecedents) and performance outcomes of change (consequences). Four models of strategic change are mentioned in the study of Ginsberg and Grant (1985) these include: (1) The linear model in which the driving force behind the strategic change is the goal-momentum gap i.e. (the difference between the desired level of achievement and the likely level of achievement if no changes are made), and the performance outcomes of strategic change. (2) The interpretive model in which strategic change is triggered by dissatisfaction with the status quo. (3) The adaptive – deterministic model in which strategic change is triggered by organizations miss-alignment with the environment. (4) The adaptive-choice model in which strategic change is triggered by perceived environmental uncertainty and resource tension that arises from the present organization-environment misalignment. Other researchers focused on managerial interpretations, cognitions, and actions as critical forces driving strategic change. These are called learning and cognitive lenses of strategic change (Rajagopalan et al, 1997; and Quinn, 1980).

In reviewing the theoretical frameworks reflected in the literature on strategic change three major aspects of strategic change seem to emerge, these are: first, the characteristics of change which refers to the object of change i.e business, corporate, or strategy making norms. The other classification of the characteristics of change refers to the manner in which the change has occurred i.e the strength of change such as, incremental, adaptive, conventional/evolutionary, or transformational/revolutionary. Other classification focuses on the approach to the change such as reactive or proactive (Johnson and Scholes, 2003). Second, the activation of change, which refers to the factors that trigger or influence the change. Third, the performance outcomes resulting from the change, this refers to the effectiveness of the strategic change in terms of the attainment of successful alignment with the environment.

2.3 Resistance to strategic change

The environmental and organizational contexts are assumed to be uncertain and dynamic (Quinn, 1980) and the organization is viewed as a political context (Quinn, 1980) and (Ginsberg and Abrahamson, 1991) in which dealing with resistance to change is required to facilitate the strategic change. If strategic change is primarily influenced by the managerial cognitions, environmental variations, and the perception of environmental variations bringing about miss-alignment of strategy with the environmental and organizational conditions, then important factor in creating the desire for change is the extent to which top management is in touch with the market forces. Inward looking firms become internally oriented and resist any sort of strategic changes (Ginsberg and Abrahamson, 1991). The inward looking orientation may create the tendency among managers to seek out information that conforms to their preconceptions (Ginsberg and Abrahamson 1991). Inertial forces can emerge in the inward looking oriented firms. Inertial forces may arise and block the implementation of strategic change even when a new perspective calling for the need for change has emerged in the schema, and information domain of the strategic decision makers (Ginsberg and Abrahamson, 1991) and (Kelly and Amburgey, 1991).

Researcher on resistance to change can be classified into two broad approaches. One that examined resistance to new environmental perspectives that trigger for strategic realignment, and another that emphasizes inertial forces, which are against the strategic change (Hodgkison and Wright, 2002). Researchers examining the resistance to new environmental perspective and new perspective in strategic decision-making, focus either on the individual or the group level (Ginsberg and Abrahmson, 1991). Resistance at the individual level can be displayed at the tendency of a Chief Executive to seek out information that confirms their preconceptions. Group level resistance can be displayed at the group think and conforming to group norms (Datta et al, 2003).

Overcoming resistance to change and breaking down inertial forces that block the implementation of strategic change are key requirements for putting strategy into action (Johnson and Scholes, 2002). Inertial forces can block the implementation of strategic change even when new perspective has emerged in the information domain of the strategic decision-makers (Ginsberg & Abrahamson, 1991).

According to Hannan and Freeman (1989) as the organizational goals are formalized overtime, patterns of activities become standardized, and organizational structures become stabilized, pressure to maintain the status quo becomes stronger. Although the institutionalization and standardization offer the advantage of reproducibility with the organization, they can generate strong pressure against change because organization members seek to maintain the status quo that protects their interest (Hannan & Freeman, 1989). In their structural inertia model Kelly and Amburgey (1991) show that organizational age and organizational size can both be source of inertia that may block strategic change, which means as organizational age increases and organizational size grow bigger organizational structures stabilize, which may lead to elaborate set of procedures and programmes that conform to the wishes of the key members of the organization.

Miller and Freisen (1980) summarized four reasons for internally based inertia. First organizational ideologies and myths become enduring factors that reinforce past behaviour. Second due to the past successes, procedures and strategies are extrapolated past their point of usefulness. Third: continuity of strategy in the direction of the wishes of key decision-makers in the organization is more likely to be in line with the standardized patterns of behaviour, goals and expectations that have grown up within the organization. Fourth: Strategic change may entail admissions of failure and loss of self-esteem, political base and vested interest in these norms and paradigms.

Overcoming inertial forces blocking strategic change may thus require to unfreeze the organization (Ginsberg and Abrahamson, 1991), this may required the presence of decision-makers, that act as catalyst for strategic change, this may involve challenging the prevailing paradigm and status quo so that inertial forces can be reduced. A change in the composition of key decision makers within the organization such as company Chief executive or members of top management team may act as an unfreezing mechanism.

Psychological factors can sometimes block the strategic changes (Wright et al, 2004), for example alongside resistance to change bias in human decision making can make organizations slow to change (Wright et al, 2004), it can be costly if the leading companies of a certain industries are unprepared for the entry of new and smaller firms in to the market, if the leading companies become stagnant and feel invulnerable the worst can happen (Wright et al, 2004), a competitor can come from nowhere and establish a stronghold based on evolving customer value, this can happen if leading industry companies are unable to anticipate the changes in their environment, this happens when organizations become prisoners of their past success (Haveman, 1992). Due totheir past successes long serving chief executive and top management team may have a high degree of commitment to the current strategy, and as a result may become an inertial force blocking the change.

2.4 Organizational Characteristics

A research that highlights differences across companies could be a better way of understanding the different types of strategies associated with different organizations. Researchers suggest that the ability of a firm to change its strategy is influenced by a number of firm-specific factors, which to some degree determine firm adaptation to the environment. The organizational factors to be investigated in this research include the size of the firm, the age of the firm and foreign or local ownership, and these are considered to be the observable organizational characteristics.

2.4.1 Firm size

The size may influence the propensity and the ability of the firm to change. Larger firms might be more structurally complex and may have difficulty in transferring information from the external environment to the top management to the implementers. As a result the more structurally complex the organization the more likely the information flow will be slow, blocked or modified, because the information should go through complex layers of management the change in strategies will be most likely delayed. On the other hand, small size, entrepreneurial organization would digest information quickly and communication would not be shifted by the complex layers of management. In the small and entrepreneurial organization strategic change may come as soon as the desire to change is established.

Researchers investigated the impact of the firm size on the strategic changes of a company, and the findings are ambiguous, and there are two competing theories regarding the effect of the firm size on strategic change. In the first theory firms change more easily when they are small and change less easily as they grow bigger, because when firms grow bigger they become more bureaucratic and more inertial, and hence more resistant to change (Kelly and Amburgey, 1995), and (Grimm et al, 1993). The second argument posits that large size firms change strategies more easily, by focusing on the control of extensive resources, this theory claiming that when more resources are controlled it is easier to initiate and sustain change (Chen an Hambrick, 1995).

The firm size and strategic change in the Kenyan oil industry have not been studied. Isaboke (2001) found a number of strategic responses used by major oil companies to counteract the entrance of new players. In responding to the threat of new entrants the major oil companies adopted a combination of generic strategies such as cost leadership, differentiation, market focus, segmentation, penetration and new product development. Murage (2001) also found that the strategies adopted by the independent petroleum dealers were mainly cost-leadership. Major oil companies have an advantage over the smaller ones (independent dealers), sometimes government decisions regarding oil industry is seen as a response to lobbying by the major oil companies. Such as government decisions at the end of last year that the petroleum imports into the country be purchased centrally through a tender floated by the Energy Ministry (Daily Nation, Dec. 30,2003). As can be seen in the studies made by Isaboke (2001) and Murage (2001), the major oil companies have flexibility in changing their strategies. The oil marketer Caltex has recently launched a new range of lubricants in the local market, this is seen a new strategy which is intended to go beyond offering fuel at the service station (East African Standard, August, 30,2004)

If the pressure to survive in an industry is greater for smaller firms than for the larger ones, then it might be important to understand how organizational size influences strategic changes. Researchers have used market share as a measure of size by focusing on how low-market share firms compete against their major industry players, (Hambrick and Chen, 1995). Two important findings scholars have indicated are: first low-share firms can be as effective as their high share industry players, and secondly low-share firms require different competitive strategies to be successful. Systematic studies of how smaller players in the Kenyan oil industry differ from the larger ones in their strategic behaviour has yet to appear.

A firm can be considered small in terms of either sheer organizational size or in terms of market share. Within an industry composed of different firms market share can correspond to organizational size. Large organizations, due to their endowment of resources may also be less adaptable to environmental realignment and hence have less propensity for strategic change (Zajac and Kraatz, 2001).

Examining the differences in strategic changes of different types, or classes of firms within an industry such as the Kenyan oil industry is a logical extension of this research. As mentioned before, size is one of the most important classification variables in organizations and strategy research (Chen and Hambrick, 1995).

2.4.2 Firm age

Most researchers argue that older firms should be more inert than the younger ones (Kelly and Amburgey, 1995). Meaning that as firm's age, routines and hierarchical structures increase they become more inert than younger ones (Kelly and Amburgey, 1995). However others argue that young (new firms in the market) firms are less likely to change their strategies and are more inert than the older ones because that might disrupt already tenuous links with suppliers, customers and other stakeholders. So the question is do the new entrants in the oil market change strategies more easily than the old ones?

Researchers indicate that there is a relationship between the age of an individual firm and the likelihood of survival (Levinthal, 1991) and this relationship can be the result of organizational learning (Quinn, 1980). According to Levinthal (1991) learning can be an obstacle to change and a source of strategic inertia, as learning occurs, beliefs of organization members converge, average knowledge level increases, and the diversity of opinions is eliminated, thus older organizations may exhibit higher performance, great reliability in their performance and higher levels of inertia in their strategies. Others argue that organizational learning processes enhance organizations ability to change (Quinn, 1980).

2.4.3 Ownership

Some of the players in the oil industry are foreign owned multinationals, others have substantial government ownership, and others are owned by local entrepreneurs, ownership may influence the need to change strategy to improve firms fit with the environment. Aosa (1992) found that foreign companies were more involved in strategic planning than the local ones. In that study the differences between the local and foreign companies were attributed to the ownership, but the focus had been on the planning rather than the change in the strategy. Most studies on the oil industry focused on the major players which are mostly multinationals, few studies have been done on the smaller, independent, locally own players.

2.5 Managerial Characteristics

In this study primary emphasis was placed on observable managerial characteristics as indicators of the assets that a manager brings to the organization. The managerial characteristics investigated include both chief executive characteristics and the top management team characteristics.

Internal change advocates who participate in the process of strategy-making can play an important role in enabling the management of strategic change, and overcoming inertia and political resistance (Boeker, 1997), and (Goodstein and Boeker,1991) changes in strategy is a pivotal component of organizational adaptation to the environment (Ginsberg and Abrahamson, 1991). Studies on top management characteristics indicate some consistent findings (Rajagopalan et al, 1997). The likelihood of successful strategic change is enhanced when the composition of top management team has been recently changed (Wiersema and Bantel, 1992). The characteristics of those who take and influence decisions, the importance of political processes and the cultural and symbolic processes, which preserve current ways of doing things, are all central to the change of strategy and its process (Johnson, 1990).

It appears that managerial cognitions in the strategic change can be explained by the managerial perceptions of the organizational and environmental conditions and the perceptions for the need for change and ability to change, however these dimensions need further researches and development, in terms of environmental context, this time Kenyan environment.

Changes in organizational contexts and internal conditions such as declining performance and leadership changes are found to affect managerial actions which in turn affects changes in the content of strategy (Boeker, 1997) but it is almost impossible to establish cause-effect relationship between top management characteristics and the actual change outcomes, or between the managerial actions and the changes in the content of strategy (Boeker, 1997) or the direction and magnitude of change (Rajagopalan, 1997). Researchers in the learning perspective assert that managers appear to learn from the ongoing strategic changes and use this knowledge to change or reinforce their actions (Quinn, 1980). The top management and chief executive characteristics that may influence strategic change include executive succession, education and prior work experience.

2.5.1 Executive succession

Researchers indicate that managerial differences such as prior work experience, educational background, succession and tenure can serve as forces driving or restraining change (Datta et al, 2003). Researchers also argue that executive change, particularly changing a company's chief executive and/or top management team, can enable the organization to overcome inertia and political resistance and hence pursue new strategies. The research on the influence of managerial characteristics on strategic change focuses mostly on succession and successor origin, as noted by Tushman et al (1992) "only executive leadership has the potential and position to initiate and implement strategic change". Researchers on executive succession are many (Datta et al, 2003), (Wiersema and Bantel,1992), and (Ndofor and Ruthburn,2003), in the large body of literature that exists in the area of executive succession, researchers have found that one particular executive characteristic, successor origin is an important indicator for strategic change (Fondas and Wiersema,1997). Researches on executive succession indicate that organizations that selected successors from within the organization were more likely to maintain the status quo while organizations that selected successors from outside the organization were more likely to experience a greater degree of strategic change (Datta et al, 2003). Insider succession is likely to be associated with the continuation of existing policies, practices and strategies because there is the likelihood that the outsider is less committed to the status quo. Wiersema and Bantel(1992) found that firms with outsider succession have a greater likelihood of strategic change in their diversification strategy than those with insider succession. In summary most of the studies indicate that newly chosen executive's characteristics are likely to influence the firm's strategic direction as indicated by Ndofor and Ruthburn, (2003). On the other hand executives with long organizational tenure have greater commitment and loyalty for the status quo. The research in managerial characteristics and strategic change in the local environment is neglected. In particular, the petroleum industry has perhaps been somewhat neglected in the development of the strategic change perspective. This study investigated the question, "do managerial characteristics influence strategic changes in the oil companies in Kenya? Hambrick and Mason (1984) pointed out the demography of the top managers might be an important indicator of different organizational outcomes.

2.5.2 Educational level

Level of education reflects an individual's cognitive ability and skills (Rajagopalan et al, 2003), high level of education can also be associated with high level of information processing. High level of education is associated with corporate strategic change (Wiersema & Bantel, 1992). Another demographic factor, which might be associated with strategic change is the educational specialization, certain educational specializations may be more oriented to change than others (Wiersema and Bantel, 1992). For example Bantel and Wiersema (1992) found that top management teams with higher academic training in the sciences are associated with corporate strategic change.

2.5.3 Prior work experience

Prior work experience may vary among managers, in terms of length of time, amount, functional and the type of exposure, Grimm et al (1993) found no relationship between marketing experience and strategic change. Chief executive's background may influence his/her strategic orientation, for example a chief executive's background in operations may influence his / her pursuit in cost reduction strategies, or chief executive's long tenure may influence his/her hesitance to diversify in that industry.

Managers with extensive and varied experience may bring to the organization a new perspective that is independent of the existing paradigms, and norms within the organization, and then their experience may influence strategic change. The similarity between the managers prior work experience and the current position can work as an impetus for strategic change (Fondas and Weirsema, 1997).

Consistent with upper echelon theory of (Hambrick and Mason, 1984) Wiersema and Bantel (1992) found that lower average age, shorter organizational tenure, higher team tenure and higher educational level among top management members resulted in a greater changes in corporate strategy as shown by the changes in diversification level. This study investigated the influence of managerial experience on strategic changes in the local environment. The study of Bantel and wiersema (1992), which investigated 500 companies in the United States found significant relationship between the above characteristics and the propensity of the firms to change.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Cross sectional design was used for this study; a descriptive survey was conducted to study the managerial and organizational characteristics of the oil companies in Kenya. This type of research design is suitable because this study is concerned with finding answers to the same questions for several firms in the same industry at one time.

3.2 Population

The population of interest consists of oil firms operating in Kenya. The population for the study was based on a list of oil companies registered by the Ministry of Energy as at 1st October 2004. The study was a census, which means studying the total population; census is feasible whenever the population is small (see appendix II).

3.3 Data Collection

Primary data was collected from the respondents through a survey. Structured questionnaire (see appendix I) was designed to collect data from the company and senior managers. Thus information was gathered from persons experienced in the area of study, tapping into their past experiences and memories. The questionnaires were dropped and picked by the researcher and his assistants. Follow-ups were used to ensure that the questionnaires are collected on time. Utmost attempt was made to ensure that in each company the chief executive and/or other senior managers responsible for strategic management fill the questionnaire. The period under study was the period between 1994 (after the deregulation of oil industry) and 2004.

3.4 Data Analysis

The data collected was edited for accuracy uniformity, consistency and completeness, and then arranged to enable tabulation. The data was coded and cross-tabulated to enable the responses be statistically analyzed.

Data was analyzed using descriptive statistics; the data was descriptive in nature, thus making possible the use of descriptive statistics. The descriptive statistics used in the study include tables for the list of the companies and study variables, frequency distributions of the different variables under study and the percentage of firms that have similar characteristics. Variances and means were used to analyze responses secured from the 5 point likert scale.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains data analysis and the research findings, the data was collected from 32 oil companies registered by the Ministry of Energy, and these companies are the ones that were operational at the time of the study, involving the major and independent companies. The details are presented under five headings: Companies' characteristics, aspects of strategic changes, organizational characteristics, managerial characteristics and the group influence on change.
The study targeted 32 oil companies (see Appendix II) and the questionnaires were hand delivered, and some companies based in Mombasa have offices in Nairobi and responded while some others did not respond. 25 companies responded which makes 78% of the total population under study hence there was a good response; the no response rate was 22%.

Strengths of the respondents input to the study were varied, as the drop and pick later method of administering the questionnaire was used there were 7 unreturned questionnaires. Some respondents were suspicious about the motive of the researcher given the competitive state of the industry. To try to improve the response rate a letter of introduction from the University and a cover letter was used.

4.2 Companies' Characteristics

This subsection analyses some key characteristics unique to the respondents, and is intended to understand the characteristics of the company to establish similarities and differences in areas such as years in operation, the respondents' experience with the company, the ownership of the company, market share of the company, the number of employees in the company and the kind of operations the company involves in petroleum trading such as import, export, wholesale and retail.

Table 4.2.1 Managers' experience in the company

Years of experience	Frequency	Percentage
0 – 5	10	40
6 – 10	9	36
Over 10	6	24
TOTAL	**25**	**100**

Source: Author 2004

Some of the managers in the oil companies who filled the questionnaires indicated to have experience of 0-5 years, as shown by the 40% of the managers' responses it is shown that about 10 managers have experience of up to 5 years, 6-10 years were 36%, over 10 years 24%, hence after liberalization many independent oil companies entered the market and most of these companies have less experienced mangers compared to the long established multinationals.

Table 4.2.2 The ownership of the company

Ownership	Frequency	Percentage
Foreign	4	16
Locally	9	36
Government	1	4
Joint (foreign and local)	12	60

Source: Author 2004

Most of the of the companies were jointly owned between foreign and local indicating that there in alliance going on in the industry, foreign ownership constituted 16%, local ownership was 36%, 4% for government and joint ownership of foreign and local made up to 48% which indicates that many companies have foreign ownership.

Table 4.2.3 Number of employees

Number of employees	**Frequency**	**Percentage**
Less Than 50	3	12
50 to 100	9	36
101 and 300	5	20
301 and 500	3	12
More than 500	5	20
Total	**25**	**100**

Source: Author 2004

Those companies that had less than 50 employees were 12%. Those who had 50 to 100 were 36%, and those with 101 and 300 were 20%, those who had 301 and 500 were 12% and with more than 500 were 20%, almost all the independent dealers reported a number of employees between 50 to 300, while most of the major oil companies reported a number of employees exceeding 300. The number of employees was used in addition to the market share of the company as a measure of the size of the company.

Table 4.2.4 the market share of the company

Market Share	Frequency	Percentage
More than 25%	2	8
25 -15	5	20
14- 5	6	24
Less than 5%	12	48
Total	**25**	**100**

Source: Author 2004

Most of the companies had less than 5% percent, as they constituted 48%, due to the fact that this group consists largely of the new entrant independent dealers, which grew fast after the deregulation in 1994. Those with more than 25% were 2 constituting about 8% of the companies studied, those with 25% – 15% were also 5 constituting about 20% of the companies studied and those with 14% – 5% were again 6 companies which made only 24% of the market,

Table 4.2.5 The kind of operations a company involves in petroleum trading

Kind of Operation	Frequency	Percentage
Import	10	40
Export	5	16
Both import and export	6	36
Wholesale distribution	10	40
Retail distribution,	9	36

Source: Author 2004

On the kind of operations the company involves in petroleum trading, those who import were 10 companies, which constitute about 10% of the total number of respondents. 5 companies reported of exporting which makes about 16% of the respondents, those who involved both import and export were 6 companies, which made 36% of the total respondents some independent dealers had even reported to involve in petroleum export to Rwanda and Congo and indicated that this influences their strategies to a great extent. About 10 companies reported that they involve in wholesale distribution, which amounts up to 40%, which indicates that most of them involve in wholesale distribution and retail distribution as well which constitutes about 36% of the respondents.

Table 4.2.6 Time started operations

Companies Starting Operations	**Frequency**	**Percentage**
Before 1994	7	28
After 1994	18	72
TOTAL	**25**	**100**

Source: Author 2004

Most of the companies started after 1994, as they constituted 72% while those who started before 1994 were 28%, which indicates the fact most of independent dealers entered the market after the deregulations in 1994, few other multinationals have also entered the market after that period.

4.3 Strategic Changes

This section sought to establish whether the firm had experienced any strategic changes and the type of strategic changes adopted, and tried to identify the initiators of the change, such as organizational and managerial factors initiating the change.

Table 4.3.1 Company strategy and changes

Response	Frequency	Percentage (%)
Yes	20	80
No	5	20
TOTAL	**25**	**100%**

Source: Author 2004

On whether companies strategy has changed within the last ten years, those who said Yes were 80% and those who said No were 20%, which indicates that most of the companies have experienced some form of strategic change within the last ten years, this may also indicate the importance of this study, and may reveal further information about the strategic changes adopted by most of the oil companies.

Table 4.3.2 Chief executive, top management and strategic changes.

Changes	Frequency	Percentage
Chief Executive changes	4	16
Strategic changes	20	80
Top management changes	17	68
Total	**25**	**100**

Source: Author 2004

On whether within the last ten years the company experienced any CEO changes 16% said they have had chief executive changes, 80% said they have had strategic changes, 68% said they have had changes in top managers. This indicates that changes in top mangers were higher than the Chief Executive changes, and most of the companies experienced both strategic changes and top management team changes, in this study further analysis is done on whether the Chief executive changes and the top management changes influenced the strategic changes.

Table 4.3.2 is related to table 4.3.1 in the sense that some of the 20 respondents that indicated to have their strategies changes within the last 10 years have also shown either either chief executive changes or top management changes. As shown in table 4.3.1 again in table 4.3.2 80% have indicated that they have strategic changes, but almost al the companies with strategic changes have either chief executive changes or top management team change.

As shown in the following table 4.2.3 the few companies which experienced chief executive changes were asked whether the new chief executive was from inside or outside the company.

Table 4.3.3 The new Chief executives' Origin

Place	Frequency	Percentage
Inside The Organization	4	76
Outside The Organization	1	20
Total	**5**	**100**

Source: Author 2004

For the few companies which indicated to have their chief executive changed within the last ten years, 76% of them indicated that the CEO was chosen from within. This indicates that most companies promote the Chief Executive from within the organization, 76% said the new Chief Executive was from Inside the organization, one company said the CEO was from outside the organization, it may be worth mentioning that most of the oil companies reported that the CEO was from inside the company, hence this indicates the size and ownership, because many independent dealers are managed by the owners of a family members, and this could be the reason why the majority of the companies did not have their chief executives changed.

Table 4.3.4 Top managers' Origin.

Place	Frequency	Percentage
Outside the organization	3	17.6
Inside the organization	4	23.5
Both	10	58.8
Total	**17**	**100**

Source: Author 2004

About 58% of the respondents indicated that the top managers were recruited from both within and outside the organization; only inside the organization was about 18%, only outside the organization 23%. This indicates that most of the oil companies use both inside and outside the organization as a source of top management team recruitment. It is also worth noting that most of the companies that indicated to have strategic changes have also indicated to have changes in their top management team composition.

4.3.1 Adopted Strategic Changes

This section was intended to identify the aspects of changes that have occurred in the companies that experienced strategic changes within the last 10 years. The number of respondents who responded to this question where 20, others indicated (NA) or not available. Some of the companies have indicated several aspects of strategic changes that had occurred in their companies

Table 4.3.1.1 Aspects of strategic change

Strategic change	Frequency	Percentage
Related diversification	4	16
Unrelated diversification	2	8
Acquisition	2	8
Merger	2	8
Divestment	3	12
Downsizing	7	28
New product	3	12
Backward integration	4	16
Forward integration	3	12
Restructuring	2	8
New market	8	32
No change	5	20

Source: Author 2004

On whether the oil companies have experienced any of the strategic changes in the last ten years, some of them cited Downsizing which constituted 28% of the respondents this could be because most of the companies experienced stiff competition in the oil market within the last ten years after the industry was deregulated, which prompted most of the multinationals or the major oil companies to close their retail outlets in many parts of the country, Related diversification 16% some major oil companies adopted related diversification to be competitive in the market , Unrelated diversification 8%, Acquisition 8% was also reported by some major oil companies for example Shell/Bp reported the acquisition , Merger 8% was also adopted by some major oil companies, Divestment was 12 % and it was also adopted by some of the major oil companies which indicates the fact that some of them have closed their retail outlets following the entrance of the independent dealers in the market after the deregulation. New product development 12% this one was reported by some major oil companies, Backward integration16% some companies changed their strategy to rely on their suppliers and have become importers themselves these include some of independent dealers, Forward integration 12% and Restructuring 8%. Most of the independent dealers however have mentioned another strategy which was not in the questionnaire which is new market entry, as they enter new markets in the land locked countries such as Uganda, Rwanda and Congo, and indicated to have more concern about he security situation in these countries, as indicated by the 40%, but his study was not concerned with foreign markets and the external environment, some locally owned independent dealers which enjoy less than 5% of the Kenyan market have specified that they are more concern with the markets of the neighboring countries.

4.3.2 Initiators of strategic Change

This sub section analyses the change initiators, after responding to the strategic changes that have occurred in their companies the respondents were asked about the initiators of the strategic changes in their companies,

Table 4.3.1.2 Strategic Change Initiators.

Initiation of change	Frequency	Percentage (%)
Foreign owners	5	20
Local owners	12	48
The Chief Executive	9	36
Top management team	9	36
The board	5	20
Consultants	4	16

Source: Author 2004

On referring to the strategic changes that have taken place in the oil companies for the last ten years, most of the companies reported that the local owners initiated the change, about 48% of the companies reported that the change was initiated by the local owners, this could be because most of the independent dealers are locally owned and most of them are still managed by the owners themselves, the Chief Executive36% and top management team36% were also mentioned as initiators of strategic change, then the board 20% comes in the third place which also indicates the influence of the ownership on the strategic changes, and consultants16% hence most changes would come from the top management in these companies. It should also be noted that in these types of questions the respondents indicated several initiators of change.

Table 4.3.1.3 Owners' initiation of these changes

Response	**Frequency**	**PERCENTAGE**
YES	17	85
NO	3	15
Total	**25**	**100**

Source: Author 2004

On whether these changes have been initiated by the owners, 85% said yes while 15% said the owners did not initiate the change, this also indicates that the change is influenced by the owners, as mentioned before most of the independent dealers reported local ownership influence while most of the multinational major oil companies report foreign ownership influence.

Table 4.3.1.4 The Chief Executive as the initiator of the Change.

	Frequency	**Percentage**
Yes	15	75
No	5	25
TOTAL	**20**	**100**

Source: Author 2004

It could be seen that for the twenty managers who said that their companies experienced strategic changes within the last ten years, said CEO initiates most of the changes as evidenced by 75% of the respondents, and some still see that the CEO did not initiate the change.

Table 4.3.1.4 Top mangers as change initiators.

	Frequency	**Percentage**
Yes	13	65
No	7	35
Total	**20**	**100**

Source: Author 2004

It can be seen in table 4.3.1 above that 13 companies with strategic changes within the last ten years indicated that these changes have been initiated by top managers, as they constituted 65% and only 35% said the top mangers did not initiate the change.

The two above tables are related in the sense that both of them ask about the change initiators, table 4.3.1.4 indicates that most of the strategic changes are initiated by the chief executive and table 4.3.1.5 indicates that top managers also initiate some changes, but it seems that the chief executive initiates more changes than the top managers, 75 % said the chief executive initiated the change while 65% said the top management initiated the change.

4.4 Organizational Characteristics

In this section the organizational characteristics were investigated, to establish the influence of these organizational factors on strategic change of the oil companies. These organizational characteristics include company size, age and ownership; company experience in the market was used as an indicator of company age in the market.
To establish the extent of influence of the organizational characteristics, respondents were asked to rank the extent of influence of these characteristics on the strategic changes in their companies, where a rating of 5 represented the highest ranking and 1 represented the lowest rank which meant no influence at all, and 3 represented a ranking of moderate influence, (see Appendix I).
Table 4.4.1 represents the overall ratings of the extent of influence of the organizational characteristics considered. As can be seen in table 4.4.1 the average rating was used to measure the extent of influence, and the standard deviation was used to measure the rating differences among the respondents.

Table 4.4.1Organizational characteristics and strategic change

Organizational characteristics	Mean	Std Deviation
Company size	2.28	1.339
Company market share	3.76	1.234
Company market experience	3.28	1.641
Local ownership	3.4	1.118
Foreign ownership	2.4	1.4

Source: Author 2004

Company size has the lowest rating as can be seen the mean, Company market share is the most rated in influencing strategic change followed by local ownership company market experience and foreign ownership.

As can be seen in the table above an average rating of about 2.28 on the linkert scale of 1 to 5 implies that the company size did not influence strategic change to a very great extent. So the company size was not rated as very high in influencing the strategic change, few major oil companies rated high the influence of the company size on strategic change, this could because as the company size increases the company rules and regulations become established, and then the endowment of the resources and the company experience with market, give the company flexibility in changing its strategies. Although some organizations may become more inert as they grow bigger this indicates that larger oil companies have more strategic change than the smaller petroleum companies.
Some companies reported that the company size has the least influence; most of these companies were new entrant independent dealers, this could be because the independent dealers are small in size and hence do not rely on size in changing their strategies. Due to their limited resources available to them it might be costly for them in changing their strategies, thus, the smaller organizations may have fewer strategic options compared with the major oil companies. Company market share is another measure for company size but as can be seen in the table above, more companies than the size have reported that strategic change was influenced by the company market share this could be seen in the mean of the ratings, this could be attributed to the company's objective to increase market share whenever considering strategic change in the oil industry, which makes the strategic changes of the company as market driven. As shown by the mean of 3.76, more companies rated high on market share influence on strategic change with a variation of 1.234, this factor has also the lowest variation than most of the other organizational factors. This means that number of respondents indicated that the company market share influenced strategic change to a very great extent, which gave the market share the highest rating. Similar number indicated a moderate degree for the company market share in influencing the strategic change. Few respondents said company market share did not influence strategic change at all.
Local ownership has an average rating of 3.4 and has the lowest rating differences among the companies with a standard deviation of 1.118 it has the lowest variation in rating than the all other factors, this could be because most of respondents were from independent

dealers with local owner ship as reported earlier most of the companies are either locally own or jointly own.

Company market experience, which is also a measure of company age in the market, was rated in third place with an average rating of 3.28 and with variation of 1.64 it shows that the average rating is above moderate influence, which means a rating above 3.

4.5 Managerial Characteristics

In this section managerial characteristics influencing strategic change were investigated, these characteristics include executive succession, executive tenure, prior work experience, functional experience, educational level and educational specialization.

Table 4.5.1 Managerial Characteristics and strategic change

Managerial characteristics	Mean	Std Deviation
Executive succession/change	2.12	1.267
Executive tenure or not changed	2.62	1.1445
Executives prior work experience	2.6	1.44
Executives functional experience	2.24	1.33
Executives educational level	3.64	1.43
Executives educational specialization	3.16	1.6248

Source: Author 2004

As can be seen in the table 4.6.1, companies made an average rating of 2.12 the of total respondents that the Chief Executive succession led to changes in company strategy, earlier 5 companies indicated chief executive change in their companies within the last ten years, although the date of succession was not specified in this it shows that executive succession influenced strategic change in some companies which experienced executive succession, it could also bee seen in table 4.2.3 that most organizations promoted executives from within, only one companies indicated executive successions from outside the company, because its chief executive plays an important role in helping define the strategy of the company, change in the chief executive may influence the possibility of making changes in the organizations strategy. Whether outsider succession influenced strategic change more than insider succession is beyond the current objectives of this study, because earlier in the study no hypothesis was made on whether, organizations in which chief executive succession has occurred will exhibit greater strategic change than those in which no succession has occurred.

Some companies indicated that executive tenure have some degree of influence on strategic, an average rating of 2.68 indicated that executive tenure influenced strategic change to some extent. Compared to the previous executive change factor the study shows that the executive change influenced strategic change less executive tenure has also lower differences in rating of the degree of influence than executive change, which shows a lower variation in rating the degree of influence of the existing managers on strategic changes compared with executive changes.

Executive prior work experience is seen to have less influence on strategic change, for both functional and other experiences were rated as low compared with other factors indicating one of the least influence the least influence, for both the respondents showed that experience did not influence at all while others indicated less influence for executive work experience in changing the company strategy.

Executive education was rated to influence strategic change of the company by some of the companies; also some of the companies indicated that that the executive educational level influenced strategic change to a very great extent. This indicates that executives with high levels of education are rated as being more receptive to change, educational specialization is also rated to have a greater of influence on strategic change, the same figure also indicated the type of educational executive specialization influenced strategic change.

Executive educational level and executive educational specialization were rated high on average, with an average rating of 3.643 for executive educational and executive educational specialization respectively. This indicates that executive educational level influences the strategic change of the company to some extent, with a standard deviation of 1.4 it shows that there are some differences in the ratings of this factor, which that some companies rate low on the executive education allele but on average the rating is high, with an above moderate degree average the influence of executive education on strategic change is high.

4.6 The Groups' Influence on Change

In this section the respondents were asked to rate the extent of influence of different stakeholder groups on strategic changes of the company on the linkert scale where 5 represented an influence of very great extent and 1 represented no influence at all, the average rating was then used to measure the extent of influence.

Table 4.6.1 the most influential on change

The stake holder	Mean	Std Deviation
The CEO	3	1.500
Top managers	3.48	1.610
Owners	3.16	1.772
Supervisors	2.28	1.339
Ordinary employees	3.64	1.319

Source: Author 2004

It can be see seen in table 4.6.1 that the ordinary employees were given the highest average rating in influencing strategic changes, Owners were given an average rating of 3.64, and some of the respondents indicated that the CEOs influenced strategic change with an average rating of 3 which means moderate degree of influence on the linkert scale, but the top managers were also given higher average rating than the CEO to have very greater influence in strategic change with rating of 3.48, supervisors were the rated low in influencing strategic change. Ordinary employees were given the highest average rating among the group with a rating of 3.64 on the linkert scale and with the lowest variation as shown by the standard deviation of 1.319, this seems to suggest that ordinary employees as stakeholders influence strategic changes of their companies to great extent.

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

In this chapter, the main findings of the research are discussed, conclusions are drawn and recommendations are made based on the research findings covered in the previous chapter. Noting that past research did not empirically examine strategic changes and the managerial and organizational factors influencing these changes began, the study was begun to examine the strategic changes of the oil companies and the organizational and the managerial characteristics influencing these changes.

5.1 Summary and Conclusions

The first objective was to identify the strategic changes of the oil companies in Kenya. The study reveals the oil companies have put in place strategies like acquisition, mergers, diversification, integration and other strategies to compete, survive, or make new entry into the industry, some major oil companies indicated downsizing and divestment strategies, while some new entrant independent dealers indicated integration strategies, this indicates that some of them are importing crude oil stead of depending on supplies by the major oil companies. We also established that majority of the oil companies in responding to the competition have changed strategies products and services offered, attempts were also made by the oil companies to improve their strategies.

Then the second objective which is the organizational characteristics influencing strategic changes is identified, ownership was indicated as the most important initiator of strategic change, but most of the companies including the independent dealers indicated joint ownership of both foreign and local ownership, company age was also found to have to some extent a greater degree of influence, as indicated by the company market experience, most of the major companies rated high on company market experience. Then we can conclude that company age in the market influences strategic of the oil companies to some extent. Company market share was also found to influence strategic change to some extent;

market share is another measure for the size of the company, why is it then that organizational size was found to have the least influence while organization's market is rated high in influencing strategic change? This means that organization's market share could influence strategic change in another way, for example it could mean that as organizations want increase their market share they opt for changing their strategies, by adopting strategies such as diversification and new product development.

In the identification of the managerial characteristics influencing strategic changes, the chief executive succession was indicated by most of the companies with executive changes to have influenced the strategic change of the company, some of the companies, also indicated the chief executive as an important initiator of strategic change, 36% of the companies indicated the chief executive as change initiator. Since succession often implies change in the way in which a firm operates, it carries the possibility of changing the prevailing norms and expectations within the company. Other managerial characteristics, which were found to have influence on strategic change, include educational and educational specialization.

The results seem to suggest that both company and managers characteristics influence strategic change to some extent. Most of the managers reported experiences ranging from 0 to 10 years, 19 out of the 25 respondents reported to have experience less than 10 years, in terms of ownership the majority of the companies are locally owned and quite a number of them have market share less than 5%. The study also reveals that companies which experience chief executive changes chose the successor from the existing top managers, and the companies that change their top managers chose their successors from both outside and inside the organization, the respondents also indicated that strategic changes were influenced by local owners, top managers and the chief executive.

The study also reveals that the top management has a greater influence in changing the strategies of the company. Because the other key finding relating to the oil companies was the top management was the top managements' initiation and influence on change, CEO, and the ownership whether foreign or local or both to initiate the strategic change .

Although most of the companies experienced strategic changes within the last ten years, some of the independent dealers were found to involve in export operations, thus indicating changing their strategies to new markets development, and although they enjoy less than 5% of the local market, they are expanding their operations to the neighboring countries. Executive succession was found to have low influence on change, relating to the fact that very few companies experienced executive changes within the last ten years.

Top mangers were rated high in influencing strategic change.

On company characteristics, company market share and company age as measured by the extent of the company market experience were also found to influence on strategic.

5.2 Recommendations

The oil companies need to closely monitor their strategic – environment alignment, and become flexible to change their strategies because of changes in their environment. If oil companies need to change their strategies then they might introduce managerial factors that trigger the change. On the other hand, if an oil company wants to maintain the status quo, the company may recruit managers with characteristics that inhibit change.

Organizational factors such as age are impossible to change but oil companies should know that as they mature their strategies change overtime. Market share and ownership may also be difficult to change, but companies can expand their operations and introduce ownership changes to facilitate the expansion of their operations, which might ultimately make them more flexible in changing their strategies.

The oil companies need to respond much more strongly to the emerging competition following the liberalization of the industry. It is apparent from the research findings that despite the broad strategies used, the oil firms continue to face competitive pressure exerted by the new competitors. It wills therefore he necessary for the oil companies be it independent or major company to be proactive in their strategies. It is also evident from the study findings that the companies are relying more on strategies like new products, diversification, acquisition, joint ventures and mergers.

5.3 Limitations Of The study

i. Some of the respondents were managers with little experience with the companies they are working in; as a result, they could not recall some of the changes, which occurred in their companies before they joined in. Despite the high response rate some questionnaires were collected incomplete, managers could not answer some questions and left them answered, or indicated that it was not available, for example the manager filling the questionnaire may not have been able to recall the changes in the company that occurred before he/she joined the company.

ii. In some companies the directors were too busy to respond, as a result the data was collected from other top level managers, and when responding the questionnaire some of these managers reflected in their responses the nature of the change which occurred in their departments. For example a supply manager would identify whether there have been any forward or backward integration while a marketing manager would identify whether there have been any changes in the company's diversification or product ranges.

i. Some companies were reluctant to respond by considering any information as confidential, which finally results either non-response or the respondents withholding important information. Some of the questionnaires were in fact collected incomplete.

ii. Although some executive and top management team characteristics were found to influence strategic change, the study cannot determine the nature of the relationship between the factors, for example the study cannot specify whether higher educational level of a top managements or chief executive is positively related to strategic change, nor can we determine whether certain academic fields or specializations are more oriented toward change.

The study focused on strategic changes and the oil companies' characteristics influencing these changes. It is possible that some of theses changes would have been due to the other factors. The findings of this research is applicable only to the oil industry, studies on other industries might result different outcomes.

Despite the above limitations the questionnaires utilized in the study have some advantages, the method enables to elicit information concerning strategic changes from respondents in multiple organizations and the findings may provide more knowledge and further insight about the oil industry in Kenya, so it can still be valid and useful, the study targeted the chief executives and/or the senior mangers who involve in the strategic decision making in their companies, and the information they have given is still considered to be valid and useful for the purpose of this study and unless proven otherwise.

5.4 Suggestions For Further Research

i. Further study conducted on other local industries could be more enlightening because industry characteristics might be very important in establishing what actually influences strategic changes. Thus, any study on the strategic changes in other industries would be more complementary to this study.

ii. A study conducted on other managerial and organizational factors influencing strategic changes, may contribute to the current internal company characteristics that influence the strategic changes and may finally lead to the identification of the determinants of strategic changes in the oil industry. Study on organizational and managerial factors that inhibit to change could also be done.

iii. The environment in which the oil companies operate continues to change, for example new regulations or new competitive rules may be established in the future as a result further research on how these environmental changes affect the strategic changes of the oil companies, might be needed and could be more useful.

iv. Further studies involving more statistically complex hypothesis could give a better picture in establishing the relationship between strategic and organizational or managerial characteristics, other forms of research designs could be used for father studies, for example longitudinal research designs can yield better results in predicting the relationship between the changes of company characteristics or changes in managerial characteristics and changes in company strategy.

v. Further study on which educational specialization and academic fields influence on strategic change can also be another extension of this study, given that in this study executive educational level and specialization were found have high degree of influence on change.

vi. Ordinary employees and consultants can also be investigated to establish their influence on strategic change, despite the rating high the degree of influence ot the ordinary employees this was not the objective of this study.

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7.0 APPENDIX 1

7.1 Questionnaire

A) Personal Information

1. Position in the company...

2. Department...

3. Years of experience in the company (Tick accordingly).

   0 – 5 ( ) 6 – 10 ( ) Over 10 ( )

B) Company Information

1. Name of the organization: ....
2. Years in operation...

3. Who owns the company? (Please tick)

   ( ) Foreign

   ( ) Locally

   ( ) Government

   ( ) Joint (foreign and local)

   ( ) Other please specify...

4. Number of employees (Please tick)

   ( ) less than 50

   ( ) 50 to 100

   ( ) 101 and 300

   ( ) 301 and 500

   ( ) more than 500

5. What is the market share of your company? (Tick one)

( ) more than 25%

( ) 25 - 23

( ) 22 - 18

( ) 19 - 15

( ) 14- 12

( ) 11 - 9

( ) 8 - 5

( ) Less than 5%

6. What kind of operations does your company involve in petroleum trading?

( ) Import

( ) export

( ) both important and export

( ) Wholesale distribution

( ) retail distribution, ( ) Other (specify) ....

7. When did your company start operations?

( ) before 1994

( ) after 1994

C) Company strategy and changes

1. Has your strategy changed within the last ten years?

( ) Yes

( ) No

2. Within the last ten years has your company experienced any one of the following

   ( ) Chief Executive changes

   ( ) strategic changes

   ( ) changes in top managers

   ( ) other changes (please specify) ....

3. If the Chief Executive was changed, was he/she from

   ( ) inside the organization

   ( ) outside the organization

4. If new team of top managers were elected were they from

   ( ) outside the organization

   ( ) inside the organization

   ( ) both

5. Referring to the strategic changes that have taken place in your organization for the last ten years, who initiated the change? Tick

   ( ) foreign owners

   ( ) local owners

   ( ) the Chief Executive

   ( ) top management team

   ( ) the board

   ( ) consultants( )

   others (specify) ....

E) Organizational characteristics and strategic change

1. To what extent did each of the following factors influence strategic change in your company, use a five point scale where 1= not at all and 5= very great extent.

	Not at all			Very great extent	
	1	2	3	4	5
Company size	( )	( )	( )	( )	( )
Company market share	( )	( )	( )	( )	( )
Company market experience	( )	( )	( )	( )	( )
Local ownership	( )	( )	( )	( )	( )
Foreign ownership	( )	( )	( )	( )	( )
Others please (specify) and Indicate the extent					
....	( )	( )	( )	( )	( )
....	( )	( )	( )	( )	( )

F) Chief Executive, top management team characteristics and strategic change

1. To what extent did each of the following executive characteristics influence strategic change in your company, use a five point scale where 1=not at all and 5=very great extent

	Not at all			Very great extent	
	1	2	3	4	5
Executive succession/change	( )	( )	( )	( )	( )
Executive tenure/not changed	( )	( )	( )	( )	( )
Executives prior work experience	( )	( )	( )	( )	( )
Executives functional experience	( )	( )	( )	( )	( )
Executives educational level	( )	( )	( )	( )	( )
Executives educational specialization	( )	( )	( )	( )	( )
Other................................	( )	( )	( )	( )	( )

2. To what extent did each of the following influence strategic change in your company, use five point scale where 1= not at all and 5= very great extent.

	Not at all			Very great extent	
	1	2	3	4	5
The CEO	( )	( )	( )	( )	( )
Top managers	( )	( )	( )	( )	( )
Owners	( )	( )	( )	( )	( )
Supervisors	( )	( )	( )	( )	( )
Ordinary employees	( )	( )	( )	( )	( )
Other (specify)					
and indicate the extent....................................					
	( )	( )	( )	( )	( )

8.0 APPENDIX II

8.1 list of oil companies.

1. ADEX
2. CALTEX OIL (K) LTD
3. CONSOLIDATED FUEL
4. DALBIT INVESTMENTS LTD
5. ENGEN (K) LTD
6. FOSSIL
7. FUELEX (K) LTD
8. GALANA LTD
9. GAPCO (K) LTD
10. GLOBAL
11. HASHI EMPEX
12. HASS PETROLEUM LTD
13. INTOIL LTD
14. KENOL/KOBIL LTD
15. KENYA PETROLEUM REFINERIES LTD
16. MAFUTA
17. METRO
18. MOBIL OIL (K) LTD
19. MOIL (K) LTD
20. NATIONAL OIL CORPORATION OF KENYA
21. OILCOM LTD
22. PENT OIL
23. PETRO OIL (K) LTD
24. PETRO PLUS

25.PIPECOR

26.RIVETON INVESTMENTS

27.SHELL/BP (K) LTD

28.SOMKEN LTD

29.SOUTH WEST ENERGY RESOURCES LTD

30.TECAFLEX

31.TOTAL (K) LTD

32.TRITON PETROLEUM COMPANY

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE...17-11-2004...............

TO WHOM IT MAY CONCERN

The bearer of this letter ...Abdurazak Mohamed Hassan...

Registration No: ....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

M.B.A. OFFICE
P. O. Box 30197,
NAIROBI.
UNIVERSITY COMMERCE FACULTY

JACKSON MAALU
CO-ORDINATOR, MBA PROGRAM